

## **REPORT OF THE FINANCE LABOR SUBCOMMITTEE**

**October 21, 2004**

The Honorable,  
The Board of Commissioners of Cook County

### **ATTENDANCE**

Present: Chairman Murphy, Commissioners Butler, Gorman, Hansen, Maldonado and Sims (6)

Absent: Vice Chairman Moreno (1)

Also Present: Pat Driscoll, Chief, Civil Actions Bureau, State's Attorney's Office; Jackie Harder, Economic Development Project Director, Department of Planning and Development

Ladies and Gentlemen:

Your Finance Labor Subcommittee of the Board of Commissioners of Cook County met pursuant to notice on Thursday, October 21, 2004 at the hour of 2:00 PM in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Your Subcommittee has considered the following items and upon adoption of this report, the recommendations are as follows:

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**WHEREAS**, on September 15, 1998, the Cook County Board of Commissioners passed the County Living Wage Ordinance to establish meaningful employee compensation for lowest-wage individuals employed by a person or business entity awarded a contract or subcontract with Cook County; and

**WHEREAS**, in recent years, over one hundred (100) local governments in the United States, including the City of Chicago, have enacted living wage laws with living wage adjustments that reflect changes in the federal poverty level; and

**WHEREAS**, the United States Department of Health and Human Services places the 2004 poverty guideline for a family of four (3 children under the age of 18) at \$18,850 and, in order for a worker to earn an annual income at or above the guideline, a worker would need to be paid a Living Wage of Nine and 43/100 Dollars (\$9.43) per hour for 2,000 hours per year; and

**WHEREAS**, Cook County's Living Wage Ordinance should be updated to reflect the most recent federal poverty level standards to maintain a stable and productive work force thereby stimulating the local economy; and

WHEREAS, companies that benefit from certain a Class 6b or Class 9 property tax incentives from Cook County should be held to the same living wage standard as those companies who do business with Cook County to ensure a fair wage for their employees and to contribute to the County's overall economic well-being; now, therefore,

**Be it Ordained by the President and the Board of Commissioners of the County of Cook:**

The Cook County Living Wage Ordinance (98-O-21) is hereby amended by deleting the language struck out and by inserting the language in bold and underlined, and the newly amended language in bold, underlined, and italics as follows:

### Section 1. Living Wage Requirements

A living wage Living Wage for services performed or produced shall be paid to lowest-wage individuals employed by a person or business entity awarded a contract or subcontract with Cook County or by a company for-profit person or business entity of an owner-occupied property who receives or renews a Class 6b or Class 9 C, 7a, 7b, 8, 9, or L property tax incentive pursuant to the Cook County Real Property Assessment Classification Ordinance (02-O-14). In the case of Class C, 8, and L, the Living Wage shall apply only until the assessment rate reaches 30%. under contracts between the County of Cook and eligible contractors.

#### (A) Definitions.

1. "Base Living Wage" means a minimum wage of no less than \$7.60 per hour \$9.43 per hour if employee health benefits are provided, or \$10.68 \$11.78 per hour without health benefits. The employee health benefit contribution shall not exceed 25% of the health insurance premium. As of July January 1, 2005 2006, and each July January 1 thereafter, the Lliving Wwage shall be adjusted, using the most recent federal poverty guidelines for a family of four as published annually by the United States Department of Health and Human Services, to constitute the following: the poverty guideline for a family of four divided by 2000 hours, or the current living wage, whichever is higher there will be an annual adjustment calculated as 100% of the federal poverty line for a family of four (as defined by the U.S. Department of Health and Human Services) with health benefits and 125% of the federal poverty line for a family of four without health benefits.
2. "Contract" means any written agreement requiring board approval

whereby the County is committed to expend or does expend funds in connection with any contract or subcontract *which requires in the performance thereof the employment of any number of 25 or more full time non-county employees, including, but not limited to, the following classifications: cashier, clerical, custodial, day laborer, elevator operator, home and health care, laundry, leased employee, parking attendant, and security guard.* The term "Contract" shall not include contracts with Not-For-Profit Organizations, Community Development Block Grants, President's Office of Employment Training, Sheriff's Work Alternative Program, or Department of Correction inmates.

3. "Contracting Agency" means the County of Cook.
  4. "Eligible Contractors" means any person or business entity awarded a contract *or subcontract* by the County of Cook *which requires in the performance thereof the employment of any number of 25 or more full time non-county employees, including, but not limited to, the following classifications: cashier, clerical, custodial, day laborer, elevator operator, home and health care, laundry, leased employee, parking attendant, and security guard. Eligible Contractors shall not include any person or business entity with fewer than 25 full time employees.*
  5. "Not-for Profit Organization" means a corporation having tax exempt status under Section 501 (C) (3) of the United States Internal Revenue Code and recognized under Illinois State not-for-profit law.
  6. *"Property Tax Incentive" means any a reduction in the assessment level as set forth in the Cook County Real Property Assessment Classification Ordinance (02-O-14) for Class 6(b) industrial property or Class 9 multifamily residential property, including the following assessment classes applicable only to commercial and industrial property: Class 6b.; Class C; Class 7a; Class 7b; Class 8; Class 9; and Class L.*
- (B) Every eligible contract *eligible contractor and subcontractor, or company and business entity who receives a property tax incentive, shall provide an affidavit to the contracting agency* contains a provision or provisions stipulating the *living wage contract shall contain a provision or provisions stipulating that they are currently paying the Living Wage* required to be paid to the employees listed under paragraph A (1), *and each such Contract shall further contain provisions obligating the Eligible Contractor, or subcontractor of such Eligible Contractor, to pay its employees for work at not less than the*

Living Wage. and each such contract shall further contain provisions obligating the contractor or subcontractor of such contractor to pay its employees for work not less than the base wage.

(C) Every for-profit person or business entity of an owner-occupied property who receives or renews a Class 6b or Class 9 property tax incentive, shall provide an affidavit to the applicable Cook County Agency Cook County Department of Planning and Development stipulating that such person or business entity is currently paying the Living Wage required to be paid to the employees listed under paragraph A (1).

(D) The Purchasing Agent shall require as part of the bidding and sole source procedure that any covered contractor provide the County of Cook certification of its compliance with this Ordinance.

(E) Any contract that violates the provisions contained in this Ordinance shall be subject to cancellation by the Cook County Board of Commissioners.

(F) Any contractor disqualified from eligibility by the Cook County Board of Commissioners shall be ineligible for two years following violation of this Ordinance.

(G) Annually, the Cook County Assessor's Office shall review and analyze the property tax incentives program to determine whether the living wage program has resulted in less application for and utilization of the incentive classification. A report of this review shall be provided by the Cook County Board of Commissioners.

## Section 2. Applicability

(A) This Ordinance shall apply to contracts advertised for bid or if not advertised for bid, approved for sole source or to companies for-profit persons or business entities of owner-occupied properties who receive a Class 6b or Class 9 property tax incentive on or after December 1, 1998 July January 1, 2004 2005.

(B) ~~Whenever a collective bargaining agreement is in effect between eligible contractors and employees who are represented by a recognized labor organization which is in no way influenced or controlled by the County of Cook, such agreement and its provisions shall be considered as conditions prevalent in that locality and therefore exempt from this Ordinance.~~

- (B)** This ordinance shall not apply to any contract with the County of Cook entered into prior to the effective date of the ordinance.
- (C)** All resolutions or ordinances or parts thereof in conflict with the provisions of this ordinance to the extent of such conflict are hereby repealed effective upon passage of this ordinance.

**Section 3. Severability. All portions of this Ordinance are severable, and if any of its provisions or any sentence, clause or paragraph shall be held unconstitutional by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions.**

**Section 4. Effective Date.**

**This amended ordinance shall take full force and effect on ~~July-January 1,~~ 2004 2005.**

Commissioner Hansen asked whether \$2.35 is an appropriate figure for health benefits.

Chairman Murphy responded in the affirmative. She stated that research has determined that the employee health benefit contribution should not exceed 25% of the health insurance premium.

Commissioner Hansen responded that this might encourage the employer not to provide health coverage.

Commissioner Maldonado responded that this figure was taken from the U.S. Department of Health and Human Services; they added \$2.35 to the poverty line to compensate for the lack of insurance, which results in the Living Wage Ordinance.

Commissioner Hansen said that this amount translates into approximately \$4000 annually, and that a person cannot obtain health benefits for this amount.

Commissioner Maldonado stated that they needed to adhere to the established standards.

Chairman Murphy stated that they based their figures on the federal government's standards.

Commissioner Hansen asked which specific government agency claims that yearly health benefits can be bought for \$4,000.

Commissioner Maldonado stated that the U.S. Department of Health and Human Services established a poverty line, and recommended that a specific amount be added to cover health insurance to thereby raise a person above the poverty line. He further stated that Chairman Murphy has committed to review the economic impact of the living wage after one year.

Commissioner Hansen asked what funds have been budgeted for such a review.

Chairman Murphy stated that the Real Estate Board and other organizations would provide this status report. She further stated that the Assessor's Office also can provide information on economic impact.

Commissioner Butler stated his concern that companies would hire 24 or fewer employees to circumvent the Ordinance.

Commissioner Maldonado stated that the language was taken from a City of Chicago ordinance. He stated that the rationale was that very small companies would not be severely impacted if they were a subcontractor for Cook County.

**Commissioner Butler moved that "25 or more" be stricken and "any number of" be added under Section 1 (A) 2. and 4. Commissioner Gorman seconded. The motion carried.**

Chairman Murphy noted that there are listed exemptions to this wage.

Commissioner Hansen asked what is the cost of health insurance.

Commissioner Maldonado stated that \$7000 insures a family.

Commissioner Hansen stated that the County has contracts that are highly sought after, and that this power should be leveraged so that extensive healthcare coverage can be supplied.

Chairman Murphy stated her concern that if the stipulated wage in the Ordinance were made too high, it might encourage contractors to hire only part-time employees.

Commissioner Gorman stated that the employer had to pay 75% of the premium.

Commissioner Maldonado stated that if the employee has to pay more than 25% of their wages for their health insurance, then a wage of \$11.78 becomes applicable, because the employee would be considered uninsured.

Commissioner Maldonado stated that he thought the employer should be responsible only for supplying individual health insurance and not family health insurance.

Commissioner Hansen voiced concern that there was a loophole.

Chairman Murphy asked Commissioner Hansen to specify the loophole.

Commissioner Hansen replied that an employer could employ employees part-time at less than eight hours per day. He also stated that the company should not be awarded the contract if its employees are paying more than 25% of their salary toward health insurance.

Commissioner Maldonado explained that once the employee pays over 25% of his salary toward health care insurance, he is compensated at the higher wage. He further stated that the real issue is whether the contractors have to provide single or family coverage for employees.

Commissioner Hansen stated that this is a golden opportunity to cover the entire family. He also stated that he believes the living wage should be increased to \$13.25.

Commissioner Maldonado stated that the entire Board has to be comfortable with this amount. He stated that the original language was \$10.68 and with this amendment the wage would go up.

Commissioner Butler stated that this rate of pay will be figured into the bids submitted to the County, so the County not the employer, will end up paying for the pay increase. He further stated that, on the other hand, if there is no healthcare provision, the County foots the medical bills.

Commissioner Maldonado stated that bidders will not risk losing the bid, and will cut their profit to obtain the bid.

Commissioner Hansen stated that based on the \$7,000 figure, he advocated \$13.25 per hour without health benefits. He stated that this moves forward towards giving the employees health benefits.

Commissioner Maldonado stated that it is not known whether the contractors have insurance in place that covers the employee only or the family. He believed that an entire family would not be covered by a small company.

Commissioner Hansen asked why this should take a year to review.

Chairman Murphy stated that the issue could be revisited in six months.

Commissioner Gorman stated that this living wage might de-incentify the very companies that the County is trying to attract.

**Commissioner Gorman moved that the following language be added: “Annually, the Cook County Assessors shall analyze and review the property tax incentives program to determine whether the living wage program has resulted in less application for and utilization of the incentive classification. A report of this review shall be provided by the Cook County Board of Commissioners.” Commissioner Maldonado seconded. The motion carried.**

Chairman Murphy stated that she discussed this verbiage with the State’s Attorney’s Office who approved it. She stated that the Department of Planning also receives application for 6bs.

Commissioner Maldonado stated that the language should be edited to read “The Labor Committee shall review and analyze.”

Commissioner Hansen stated that he believed that it violates the law to do this by commission, and that this falls under the aegis of the Assessor’s Office.

Pat Driscoll, Chief, Civil Actions Bureau, State's Attorney's Office, stated that each committee can analyze whatever it wants, and stated that it is best not made by commission, but rather a report can be made to the committee.

Commissioner Maldonado stated that it is the Department of Planning that receives applications for both Class 6b unincorporated as well as for the 24-month exemption, and that the remainder of applications came through the Assessor's Office.

Jackie Harder, Economic Development Project Director, Department of Planning and Development, clarified that all the incentive classes go through the Assessor's office, which is where they are administered. The Department of Planning and Development does not administer the incentive program, but they provide a report to the Board for the adoption of a resolution.

Commissioner Hansen asked where "Section B" is, and recommended that "Section B and C" be changed to "Section C and D."

Commissioner Maldonado agreed.

Commissioner Gorman asked why "Section 2B" is being removed.

Commissioner Maldonado stated that it is being removed at the State's Attorney's suggestion.

Commissioner Maldonado clarified that Chairman Murphy wants to reintegrate "Class 9" into the text.

Chairman Murphy stated that "C9" should be put in with the "6b" classification, because the person developing property only has to devote 35% of his property to affordable housing residence and therefore the developer should pay a living wage to employees. She further stated that the exemptions are "C7a," "C7b," "C8" "C9" and "L."

Commissioner Maldonado stated that for 30 years these for-profit developers have been receiving a property tax incentive, and that the not-for-profits are exempt.

Commissioner Hansen noted that "6b" was left in; he noted it was underlined and therefore inserted.

Commissioner Maldonado stated that although the first proposed amendment included all of the classification properties, the most recent amendment excludes all of the classes except 6b.

Chairman Murphy stated that "Section 7a" and "Section 7b" deal with contaminated property that would cost the developer significantly more to make it usable. She stated that class "7a" is for property that is abandoned and in disrepair and therefore would cost significantly more to build on it.

Commissioner Maldonado noted that these properties are either landmark buildings or are in enterprise areas, which are economically depressed: Therefore, there is no point in penalizing them.



Chairman Murphy noted that the objective is to exempt the categories discussed and that both "6b" and "9" would be left in.

Commissioner Hansen noted that "9" had already been deleted.

Chairman Murphy requested that it be put back in, along with "6b," so that developers of affordable housing would have to abide by the Living Wage Act.

Commissioner Hansen asked for clarification of "9."

Chairman Murphy replied that "9" concerns affordable housing developers, and that "C," "L," and "A" have been removed.

**Commissioner Maldonado moved that under Section One, "Class 9" be added. Commissioner Butler seconded. The motion carried.**

Commissioner Maldonado stated that in June, the administration stopped this ordinance. He stated that only yesterday were concerns heard, and modifications made.

Chairman Murphy read the notice into the record.

**Commissioner Maldonado moved the approval of Communication No. 265627 as amended. Commissioner Butler seconded. The motion carried.**

**Commissioners Gorman and Hansen voted Present on the above item.**

267643      BUREAU OF HUMAN REOURCES, by Mark Kilgallon, Chief, transmitting a Communication, dated October 5, 2004:

Transmitting herewith is an Interest Arbitration decision concerning the Sheriff's Department of Community Supervision and Intervention (DCSI) Fugitive Unit for your consideration and approval.

#### PROPOSED RESOLUTION

**WHEREAS**, the Sheriff and the County of Cook, joint employees, and the Fraternal Order of Police Labor Council (representing Fugitive Unit Investigators) have entered into Compulsory Interest Arbitration under Section 14 of the Illinois Public Relations Act; and

**WHEREAS**, an Interest Arbitration Award has been issued concerning unresolved salary issues covering the period December 1, 2001 through November 30, 2004.

**NOW, THEREFORE, BE IT RESOLVED**, that this award be submitted for your approval by the Board of Commissioners of Cook County.

**Commissioner Butler, seconded by Commissioner Gorman, moved the approval of Communication No. 267643. The motion carried.**

**Commissioner Maldonado moved to adjourn the meeting, seconded by Commissioner Hansen. The motion carried and the meeting was adjourned.**

Respectfully submitted,  
Finance Labor Subcommittee

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Joan Patricia Murphy, Chairman

Attest:

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Michelle Harris, Secretary